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FISCAL IMPACT STATEMENT

LS 6983

BILL NUMBER: SB 270

NOTE PREPARED: Jan 1, 2005

BILL AMENDED:

SUBJECT: Inventory tax deduction ordinances.

FIRST AUTHOR: Sen. Weatherwax

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill extends until June 1, 2005, the time in which an ordinance may be adopted in a county to provide (1) a property tax deduction for inventory assessed in 2005 and (2) a homestead credit funded from county economic development income tax revenues to eliminate the effects of the inventory deduction on homesteads.

Effective Date: Upon passage; March 30, 2004 (retroactive); March 31, 2005 (retroactive).

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) may adopt interim rules in the manner provided for the adoption of emergency rules to govern the determination of deductions, the processing of personal property tax returns, and the calculation of the assessed valuation (AV) of each taxpayer in cases in which the personal property is eligible for a deduction as the result of the adoption of an ordinance after March 30, 2004, and the taxpayer did not take the deduction on the taxpayer's personal property tax return. This provision will increase administrative expenses for the DLGF; however, the DLGF should be able to absorb any additional expenses associated with rule-making given its current budget and resources.

Explanation of State Revenues: Extending the deadline by which a county can adopt an ordinance to provide a property tax deduction for inventory assessed in 2005 could result in an increase in deductions. Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all AV. If property is not a part of the tax base, the state can not assess this tax on the property. Any decrease in the AV base decreases the property tax revenue for these two funds.

Explanation of Local Expenditures: Extending the deadline by which a county can adopt an ordinance could result in additional administrative expenses for the county. However, it is presumed that counties will be able to absorb any additional administrative expenses given their existing budgets and resources.

Explanation of Local Revenues: Extending the deadline by which a county can adopt an ordinance to provide a property tax deduction for inventory assessed in 2005 will likely result in additional deductions.

Deductions from property taxes shift the property tax burden from the owner of the property receiving the deduction to all taxpayers. Local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount.

This bill also extends until June 1, 2005, the time in which a county may adopt an ordinance to provide a homestead credit funded from county economic development income tax (CEDIT) to eliminate the effects of the inventory deduction on homesteads. Extending the deadline could result in additional local homestead credits. Counties may adopt up to an additional 0.25% CEDIT rate to provide additional homestead credits. A total of 71 counties have adopted CEDIT. Total CEDIT certified distributions equaled \$197 M for 2005.

State Agencies Affected: State Fair, State Forestry, and the DLGF.

Local Agencies Affected: All.

Information Sources:

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